

VZCZCXYZ0030
PP RUEHWEB

DE RUEHQT #0520/01 0651617
ZNY CCCCC ZZH
P 061617Z MAR 07
FM AMEMBASSY QUITO
TO RUEHC/SECSTATE WASHDC PRIORITY 6474
INFO RUEHBO/AMEMBASSY BOGOTA 6504
RUEHBU/AMEMBASSY BUENOS AIRES 0731
RUEHCV/AMEMBASSY CARACAS 2427
RUEHLP/AMEMBASSY LA PAZ MAR LIMA 1479
RUEHGL/AMCONSUL GUAYAQUIL 2002

C O N F I D E N T I A L QUITO 000520

SIPDIS

SIPDIS

TREASURY FOR STEVE GOOCH

E.O. 12958: DECL: 03/06/2017
TAGS: [EFIN](#) [EAID](#) [ECON](#) [EC](#)
SUBJECT: GOE ACTUALLY DOES WANT SOME IDB MONEY

Classified By: Classified by Ambassador Linda Jewell. Reasons: 1.4 B and D.

¶1. (SBU) Summary. After initially telling the Interamerican Development Bank (IDB) that it wanted to limit its borrowing from the IDB to the bare minimum, the Correa administration has now indicated that it wants to sign two previously approved budget support loans worth \$80 million and guarantee two loans to the city of Quito worth \$97 million. It flip-flopped on two loans that are already in place, and after telling the IDB it would cancel the loans decided to retain them. The GOE is interested in maintaining IDB grant-based technical assistance. It has requested IDB advice on the energy sector and has shown some interest other projects, but it is not clear whether the GOE wants to pursue any new programmatic or project loans with the IDB. Per the IDB contact, the GOE has told the Andean Development Corporation (CAF) that it prefers Venezuelan financing over CAF loans for infrastructure development since the GOE does not want to comply with CAF bidding requirements. End summary.

¶2. (SBU) Marta Tvardek, Ecuador representative for the InterAmerican Development Bank, met with EconCouns and USAID officer on March 1. She said that in initial meetings with President Correa and Minister of Economy Patino, the GOE said that it wanted to limit its borrowing from the IDB to the absolute minimum necessary. However, in subsequent conversations, the GOE has shown increased interest in IDB loans and technical assistance, although the IDB continues to receive muddled signals about how much the GOE is prepared to work with the IDB.

¶3. (SBU) Tvardek said that the IDB had six approved loan projects in the pipeline when the Correa administration took office. The Correa government said that it intends to sign one programmatic loan (a \$50 million competitiveness program whose conditionality has already been met), and is interested in going forward with another programmatic loan (a \$30 million universal health program with broad conditionality that coincides with GOE priorities). These two loans will provide budget support. The GOE has also agreed to guarantee two loans (totaling \$97 million) to the city of Quito, and one has already been signed. Tvardek said that the GOE is unlikely to go forward with two project loans, one for rural roads (\$20 million) and the other for rural health insurance (\$5 million), since the GOE prefers to fund those projects with its resources.

¶4. (SBU) Tvardek said that the GOE has continued to make its debt payments to the IDB, although in a few case was late but

within the 30-day grace period.

¶15. (SBU) The IDB representative said that she was informed by the Ministry of Economy that Ecuador was going to cancel two project loans, a \$3 million trade capacity development project and a \$5 million early warning project (for natural disasters). However, when the affected implementing ministries looked at the projects, they intervened and persuaded the Ministry of Economy to maintain the projects.

¶16. (SBU) Tvardek also said that the IDB has around \$29 million in non-reimbursable (i.e., grant) technical assistance projects (which she called technical cooperation). Assistance totaling \$13 million is directed to the government, with the balance to the private sector via the Multilateral Investment Fund (MIF). In the IDB meeting with President Correa, he specifically requested additional IDB technical assistance to strengthen the Ministry of Economy and the government agency that coordinates international assistance. The IDB also financed a \$500,000 strategic tourism plan, which was released in December and could provide the framework for a larger tourism project.

¶17. (SBU) Looking forward, Tvardek said that the IDB is discussing with the GOE a project to support smaller municipalities via the Ecuadorian Development Bank. She said that the Ministry of Energy requested an IDB mission to review the energy sector, which recently reported on technical assistance options the IDB could provide the sector. She said there is a small chance Ecuador would be interested in a large water and sanitation program. She said that the IDB has told the GOE that for there to be any chance of moving forward with IDB loans this year, the GOE would have to a) send a clear signal of its interest before the end of March, and b) end its rhetoric about not paying debt since otherwise IDB staff could not take loan proposals to the board.

¶18. (C) Tvardek expressed frustration about receiving inconsistent messages from the GOE, saying that she has had an understanding with one economic official only to have it contradicted by another official. She said that going forward, she will strive to hold one meeting with a range of economic officials present at the same time.

¶18. (C) Tvardek said that she had heard from the Andean Development Corporation (CAF) that the CAF was encountering resistance from the GOE for CAF's requirement that project implementation be put out to bid. Apparently the GOE does not want to seek bids to construct several bridges, since it wants to use the Ecuadorian Army Corp of Engineers. Therefore GOE reportedly told the CAF it would use "\$400 million from Venezuela" for road and bridge development, instead of using CAF financing. According to Tvardek, this announcement has left the CAF wondering whether the GOE is interested in moving forward with the CAF's \$800 million infrastructure development project. (Tvardek did not have any details on the alleged \$400 million from Venezuela. The Minister of Economy had said that the GOE currently does not plan to borrow from Venezuela although it would keep that option open. The Vice Minister for Finance told EconCouns that the GOE prefers financing from multilateral development banks, particularly the CAF, and that the terms of CAF financing are more attractive than what Venezuela is offering.)

¶19. (C) Comment: Tvardek's account of the IDB's and CAF's experiences reinforces our view of the confused nature of economic decision-making with the GOE. On this as in other cases, it appears that the Correa administration is moderating its strong views as it encounters the practical problems of running a government, and is walking back on its anti-debt rhetoric to take advantage of available IFI financing. Even so, the signals are mixed, as seen in the rejection and then acceptance of two IDB projects and more recently the confused signals as to whether the GOE prefers Venezuelan or CAF financing. It looks like a good sign that the GOE sees in value in working with a Washington-based

development bank, but at the same time we note that thus far it is taking advantage of already approved loans. We do not know if it has the will or organizational ability to move forward with new IDB projects.

JEWELL